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**BOARD OF SUPERVISORS  
FINANCE/GOVERNMENT SERVICES COMMITTEE  
ACTION ITEM**

**SUBJECT:** CONTRACT RENEWAL / ADMINISTRATIVE AND REINSURANCE  
SERVICES FOR COUNTY-WIDE GROUP HEALTH INSURANCE PLAN  
(MEDICAL, PRESCRIPTION DRUGS, DENTAL, AND VISION BENEFITS)

**ELECTION DISTRICT:** COUNTY-WIDE

**CRITICAL ACTION DATE:** June 19, 2007

**RECOMMENDATION:**

**STAFF:** Staff recommends that the Finance/Government Services Committee recommend to the full Board of Supervisors that the Purchasing Agent be authorized to renew the group health plan contracts (medical, prescription drugs, dental, and vision) for third-party administrative services, for Plan Year 2008 (September 1, 2007 – August 31, 2008), with CIGNA HealthCare, Delta Dental of Virginia and Davis Vision; and that the Purchasing Agent further be authorized to modify the contract to implement the plan design adjustments and reinsurance changes recommended as indicated in this item; and that the premium rates as provided in Attachments I, II and III be adopted.

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**BACKGROUND:** In May 2005, both the Board of Supervisors and the School Board approved contract awards to CIGNA HealthCare, Delta Dental of Virginia, and Davis Vision for third-party administrative (TPA) services in accordance with the County's health plan designs for employees and retirees. Claims under these plans are paid as received and are self-insured by the County, subject to an individual stop loss re-insurance provision for medical claims. The contracts were issued for a maximum of five (5) years, with an annual renewable option. Plan Year 2008 will be the 2<sup>nd</sup> annual renewal and 3<sup>rd</sup> contract year with the above mentioned vendors.

**ISSUES:**

The recommendations contained in this item represent the consensus of County and School staff as to the products and services which offer competitive benefits to County and School employees and retirees. The renewal will result in an increase of 3% in administrative fees from CIGNA and 3% in administrative fees from Delta Dental of Virginia. These increases are below the current CPI of 3.38%. There are no increases in administrative fees to the Davis Vision contract as staff was able to negotiate fixed administrative fees for the first three (3) contract periods.

To mitigate costs and account for health care inflation while continuing to maintain a competitive health plan benefits package, staff evaluated a number of factors including plan design and stop-loss re-insurance levels. Recommendations are being made based on recently benchmarked market survey data, the County's health plan utilization and recommendations

from both the County's consultant and third-party administrators (i.e. CIGNA and Delta Dental of VA).

Staff recommends several plan design adjustments and an increase in the stop-loss levels for PY08, as outlined below, resulting in approximately \$2.8 million in savings for the County and Schools. The County will continue our focus and commitment to wellness and disease management programs which will continue to provide a long-term return on our investment and claims cost savings. National statistics reflect a 3:1 cost savings ratio on health plans that include comprehensive wellness programs. New wellness related programs recommended for implementation in PY08 are projected to provide a net cost savings of approximately \$1.0 million for the County and Schools over the next plan year.

**Recommended Adjustments to Health Plan:**

- Increase individual stop-loss coverage level from \$175,000 to \$200,000. - This change is transparent to members and results in a direct savings to the Plan. The stop-loss level is evaluated based on existing claims history and projections.
- Increase specialist office visit co-pay from \$15 to \$20. - Adjustment made to account for ongoing increases in health care costs and be more in line with market data.
- Increase emergency room co-pay from \$50 to \$75. - This change is a result of the increasing costs of emergency room services and escalating utilization. It also encourages members to utilize alternative settings for urgent care, when appropriate. This co-pay is waived if the patient is admitted to the hospital.
- Increase urgent care co-pay from \$15 to \$25. - Urgent care co-pays are typically 50% of the emergency room co-pay. This encourages members to consider alternatives such as scheduling an appointment with their Primary Care Physician and/or utilizing CIGNA's NurseLine for more routine and non-urgent required services, as appropriate.
- Redesign prescription drug co-pays from \$8 generic / \$18 preferred / \$28 non-preferred to \$5 generic / \$20 preferred / \$40 non-preferred. - Encourages generic usage resulting in lower Plan costs. Co-pay increases for preferred and non-preferred drugs are a result of overall drug increases and trends. Consistent with this change, the co-payments for the mail-order program would change to \$10 generic, \$40 preferred and \$80 non-preferred for a 90 day supply of maintenance medications.
- Adjust out-of-network outpatient mental health coinsurance from 20% to 10%. - Maintains continuity of benefits with Loudoun County Public Schools and other out-of-network medical benefits.
- Carve-out preventative dental services (i.e. cleanings and x-rays) from annual maximum. - In response to our commitment to wellness, members will be able to receive necessary dental services without penalty of forgoing their routine wellness check-ups due to limitations of annual dental maximum.

- Include a \$50.00 (single)/\$100.00 (family) annual deductible to the dental plan for Basic and Major dental care (excludes preventative). – This change is consistent with most dental plans both nationally and in the surrounding jurisdictions.

**New Wellness Programs Include:**

- Additional “Well Aware” Disease Management / Wellness Programs. – Projected cost savings of \$309,000, representing a 2:3 ROI for these programs.
- Dental Disease Management Program. - In response to our commitment to wellness, we are introducing “Healthy Smile, Health You” program which provides one additional cleaning for pregnant and diabetic members per benefit period. Studies show that additional cleanings for these groups will reduce medical costs resulting in long-term savings to the health plan.

In recognition of increasing medical expenses and the cost of health benefits, staff recommends implementing an overall 10% increase in the premiums that are charged to employees and retirees. Staff estimated this change will generate approximately \$425,000 in additional revenue in Plan Year 2008 based on current enrollment.

Staff recommends that the noted contracts be renewed for a one-year term, leaving two (2) remaining one-year renewal options. Included in these contracts are performance guarantees in order to ensure satisfactory plan administration, as well as multi-year guarantees to cap administrative costs.

Staff concurs with this recommendation which is being made on the advice of our health plan actuarial consultant after performing a review of recent claims data. The increase is inclusive of projected medical, prescription drugs, dental and vision benefits for Plan Year 2008.

The proposed premium rates are specified in Attachments I, II and III of this item.

**FISCAL IMPACT:** Based on current and projected enrollment, the estimated County and School health plan administrative, claims expense, and claims reserves costs for the Plan Year 2008 are estimated to be \$109,471,369. A portion of these increased costs will be offset by increased employee and retiree contributions.

The cost of these contracts is funded by employee, retiree, and employer contributions in the estimated amounts of \$30,874,227 for the General Government, \$87,924,509 for the School System, with an estimated \$8,019,950 in claims reserves in the Group Self Insurance Fund.

Please note that the Volunteers are covered under separate contracts for the health plan on a fully insured basis. In accordance with Virginia Code, the County does not contribute to the cost of the Volunteer Group Health Plan.

**General Government Plan**

For Plan Year 2007, medical, prescription drugs, dental, and vision plan expenses for the General Government are estimated to be \$23,685,421, an increase of 10% over the previous year. For Plan Year 2008, with the plan adjustments and reinsurance change proposed in this item, total expenses are estimated to be \$26,753,223. A portion of these increased costs will be offset by increased employee and retiree contributions.

Staff recommends an overall 10% increase in premiums charged to County employees and retirees as displayed on Attachments I, II and III. This reflects projected claims trend for Plan Year 2008.

Sufficient funding exists in the Fiscal Year 2008 budget for the health insurance expenses indicated in this item.

**ALTERNATIVES:**

1. Recommend to the full Board of Supervisors that the Purchasing Agent be authorized to renew the contract for the group health plan (medical, prescription drugs, dental and vision).
2. Do not recommend the contracts renewal and direct staff on how to proceed. Because of the size and complexity of these contracts, failure to renew would require the County to contract on a month-to-month basis with the current vendors. Since staff was able to negotiate competitive administrative rate renewals with the current vendors, this alternative would result in higher administrative costs than current, making this option more costly.

**DRAFT MOTION:**

1. I move that the Finance/Government Services Committee recommend to the full Board of Supervisors that the Purchasing Agent be authorized to renew the group health plan contracts with CIGNA HealthCare, Delta Dental of Virginia, and Davis Vision for third-party administrative services as stipulated herein for Plan Year 2008 beginning September 1, 2007 and adopt the premium rates as shown in Attachments I, II and III.

Or

2. I move an alternative motion.

Attachment I	Employee Group Health Plan Monthly Premium Rates – POS
Attachment II	Employee Group Health Plan Monthly Premium Rates – HDHP/HSA
Attachment III	Retiree Health Plan Monthly Premium Rates

**STAFF CONTACTS:** Management and Financial Services/ Mark Adams,  
Susan Hack, Nelia Larson-Mann, Cheryl L. Middleton

**COUNTY OF LOUDOUN  
PLAN YEAR 2008**

**EMPLOYEE GROUP HEALTH PLAN RATES  
POS  
(Includes Medical, Dental and Vision Coverage)**

September 1, 2007 through August 31, 2008

	Employee Share (monthly)	County Share (monthly)	Total Monthly Cost	Employee Share (bi-weekly)
<b>Employee Only</b>			\$533.48	
37.5+ hrs/wk	\$53.35	\$480.13		\$26.67
30 -37 hrs/wk	\$149.37	\$384.11		\$74.69
20-29 hrs/wk	\$293.41	\$240.07		\$146.70
< 20 hrs/wk	\$533.48	\$0.00		\$266.74
<b>Employee plus Child</b>			\$757.57	
37.5+ hrs/wk	\$94.70	\$662.87		\$47.35
30 -37 hrs/wk	\$227.27	\$530.30		\$113.63
20-29 hrs/wk	\$426.13	\$331.44		\$213.07
< 20 hrs/wk	\$757.57	\$0.00		\$378.79
<b>Employee plus Spouse</b>			\$1,066.98	
37.5+ hrs/wk	\$160.04	\$906.94		\$80.02
30 -37 hrs/wk	\$341.43	\$725.55		\$170.71
20-29 hrs/wk	\$613.51	\$453.47		\$306.76
< 20 hrs/wk	\$1,066.98	\$0.00		\$533.49
<b>Family</b>			\$1,333.74	
37.5+ hrs/wk	\$300.09	\$1,033.65		\$150.04
30 -37 hrs/wk	\$506.82	\$826.92		\$253.41
20-29 hrs/wk	\$816.91	\$516.83		\$408.46
< 20 hrs/wk	\$1,333.74	\$0.00		\$666.87
<b>2 Employee Split - Employee plus Spouse (cost per employee)</b>				
per ee	\$53.35	\$480.14		\$26.67
combined	\$106.69	\$960.29	\$1,066.98	
<b>2 Employee Split - Family (cost per employee)</b>				
per ee	\$70.02	\$596.85		\$35.01
combined	\$140.05	\$1,193.69	\$1,333.74	

**COBRA RATES**

Individual	\$544.15	N/A
Individual+Child	\$772.72	N/A
Individual+Spouse	\$1,088.32	N/A
Family	\$1,360.41	N/A

**OPT-OUT RATES**

37.5+ hrs/wk	\$120.03	\$60.02
30-37 hrs/wk	\$96.03	\$48.01
< 30 hrs/wk	N/A	Not eligible

**Notes:**

1. Two full-time County employees (i.e., spouses who work for either Loudoun County Government or Loudoun Public Schools) are eligible for the 2 Employee Split rate. To receive the 2 Employee Split rate, the employee and spouse must be enrolled for Employee+Spouse or Family coverage under a single contract and complete the "Benefits Election and Salary Reduction Form". Opt-out is not available.

2. Part-time employees are eligible to participate in the County's health insurance plan if they are employed in a Regular position. Coverage must be elected upon initial eligibility or during the annual open enrollment period. Employees who were employed in part-time positions prior to March 17, 1992 and who have remained in a part-time position are grandfathered as if full-time employees.

**COUNTY OF LOUDOUN**  
**PLAN YEAR 2008**  
**EMPLOYEE GROUP HEALTH PLAN RATES**  
**CIGNA Choice HSA**  
**(Includes Medical, Dental and Vision Coverage)**  
**September 1, 2007 through August 31, 2008**

	Employee Share (monthly)	County Share Admin/Claims (monthly)	ER HSA Contribution	Total Monthly Cost	Employee Share (bi-weekly)	Annual ER HSA Contribution
<b>Employee Only</b>						
37.5+ hrs/wk	\$18.45	\$413.44	\$66.67	\$498.56	\$9.23	\$800.00
30 -37 hrs/wk	\$114.67	\$332.56	\$51.33	\$498.56	\$57.34	\$615.96
20-29 hrs/wk	\$258.25	\$208.18	\$32.13	\$498.56	\$129.13	\$385.60
< 20 hrs/wk	\$498.56	\$0.00	\$0.00	\$498.56	\$249.28	\$0.00
<b>Employee plus Child</b>						
37.5+ hrs/wk	\$45.31	\$529.32	\$133.33	\$707.96	\$22.66	\$1,600.00
30 -37 hrs/wk	\$177.70	\$430.39	\$99.87	\$707.96	\$88.85	\$1,198.44
20-29 hrs/wk	\$392.21	\$256.28	\$59.47	\$707.96	\$196.11	\$713.60
< 20 hrs/wk	\$707.96	\$0.00	\$0.00	\$707.96	\$353.98	\$0.00
<b>Employee plus Spouse</b>						
37.5+ hrs/wk	\$89.74	\$774.04	\$133.33	\$997.11	\$44.87	\$1,600.00
30 -37 hrs/wk	\$271.21	\$628.83	\$97.07	\$997.11	\$135.61	\$1,164.80
20-29 hrs/wk	\$543.42	\$393.02	\$60.67	\$997.11	\$271.71	\$728.00
< 20 hrs/wk	\$997.11	\$0.00	\$0.00	\$997.11	\$498.56	\$0.00
<b>Family</b>						
37.5+ hrs/wk	\$213.14	\$899.94	\$133.33	\$1,246.41	\$106.57	\$1,600.00
30 -37 hrs/wk	\$420.04	\$737.97	\$88.40	\$1,246.41	\$210.02	\$1,060.80
20-29 hrs/wk	\$729.15	\$461.93	\$55.33	\$1,246.41	\$364.58	\$664.00
< 20 hrs/wk	\$1,246.41	\$0.00	\$0.00	\$1,246.41	\$623.21	\$0.00
<b>2 Employee Split - Employee plus Spouse (cost per employee)</b>						
per ee	\$18.45	\$413.44	\$66.67	\$498.56	\$9.23	\$1,600.00
combined	\$36.90	\$826.89	\$133.33	\$997.12		
<b>2 Employee Split - Family (cost per employee)</b>						
per ee	\$29.29	\$527.25	\$66.67	\$623.21	\$14.65	\$1,600.00
combined	\$58.58	\$946.69	\$133.33	\$1,246.41		
<b>COBRA RATES</b>						
Individual	\$440.53					N/A
Individual+Child	\$586.12					N/A
Individual+Spouse	\$881.06					N/A
Family	\$1,135.34					N/A

**Notes:**

- Two full-time County employee family (i.e., spouses who work for either Loudoun County Government or Loudoun Public Schools) each pay \$29.29 per month
- Part-time employees are eligible to participate in the County's health insurance plan if they are employed in a Regular position. Coverage must be elected upon initial eligibility or during the annual open enrollment period. Employees who were employed in part-time positions prior to March 17, 1992 and who have remained in a part-time position are grandfathered as if full-time employees.

County of Loudoun Plan Year 2008 Retiree Group Health Plan Rates September 1, 2007 through August 31, 2008			
	Monthly Retiree Share (eff. Sept. 2007)	Monthly County Share (eff. Sept. 2007)	New Total Premium (eff. Sept. 2007)
<b>Full Career Retirees - 25 + years (100% of full time employee contribution (100% contrib</b>			
Individual coverage	\$53.35	\$480.13	\$533.48
Individual+Child	\$94.70	\$662.87	\$757.57
Individual+Spouse	\$160.04	\$906.94	\$1,066.98
Family	\$300.09	\$1,033.65	\$1,333.74
1 Medicare	\$0.00	\$480.13	\$480.13
1 Individual + 1 Medicare	\$53.35	\$960.27	\$1,013.61
2 Medicare	\$0.00	\$960.27	\$960.27
Family + 1 Medicare	\$246.74	\$1,087.00	\$1,333.74
<b>Retirees with 20 - 24 years (80% of full career retiree contribution (90% for medicare))</b>			
Individual coverage	\$149.37	\$384.11	\$533.48
Individual+Child	\$227.27	\$530.30	\$757.57
Individual+Spouse	\$341.43	\$725.55	\$1,066.98
Family	\$506.82	\$826.92	\$1,333.74
1 Medicare	\$48.01	\$432.12	\$480.13
1 Individual + 1 Medicare	\$197.39	\$816.23	\$1,013.61
2 Medicare	\$96.03	\$864.24	\$960.27
Family + 1 Medicare	\$458.80	\$874.94	\$1,333.74
<b>Retirees with 15 - 19 years (40% of full career retiree contribution (50% for medicare))</b>			
Individual coverage	\$341.43	\$192.05	\$533.48
Individual+Child	\$492.42	\$265.15	\$757.57
Individual+Spouse	\$704.21	\$362.77	\$1,066.98
Family	\$920.28	\$413.46	\$1,333.74
1 Medicare	\$240.07	\$240.07	\$480.13
1 Individual + 1 Medicare	\$581.49	\$432.12	\$1,013.61
2 Medicare	\$480.13	\$480.13	\$960.27
Family + 1 Medicare	\$680.21	\$653.53	\$1,333.74
<b>Retirees with 10-14 years of service (20% of full career retiree contribution (30% medica</b>			
Individual coverage	\$437.45	\$96.03	\$533.48
Individual+Child	\$625.00	\$132.57	\$757.57
Individual+Spouse	\$885.59	\$181.39	\$1,066.98
Family	\$1,127.01	\$206.73	\$1,333.74
1 Medicare	\$336.09	\$144.04	\$480.13
1 Individual + 1 Medicare	\$773.55	\$240.07	\$1,013.61
2 Medicare	\$672.19	\$288.08	\$960.27
Family + 1 Medicare	\$790.92	\$542.82	\$1,333.74
<b>Retirees with less than 10 years of service</b>			
Individual coverage	\$533.48	\$0.00	\$533.48
Individual+Child	\$757.57	\$0.00	\$757.57
Individual+Spouse	\$1,066.98	\$0.00	\$1,066.98
Family	\$1,333.74	\$0.00	\$1,333.74
1 Medicare	\$480.13	\$0.00	\$480.13
1 Individual + 1 Medicare	\$1,013.61	\$0.00	\$1,013.61
2 Medicare	\$960.27	\$0.00	\$960.27
Family + 1 Medicare	\$1,333.74	\$0.00	\$1,333.74

## Notes:

1. Retirees are defined as those individuals who retired from County service and who immediately began receiving, and are currently receiving, a retirement annuity from VRS. Individuals who resigned from County employment and delayed receipt of retirement benefits are not considered retirees.

2. Former members of the Board of Supervisors are eligible to retain health benefits if, at the time they leave office, they would have met the age and service requirements for retirement under VRS.

3. Years of service are computed based on the number of full-time years of employment in a benefit eligible position with the County of Loudoun. Part-time service is pro-rated and converted to a full-time equivalent.

4. Retirees must have County health insurance immediately prior to retirement in order to retain coverage after retirement. Retirees are not eligible to add dependents after retirement. The spouse of a deceased retiree is eligible to retain coverage if covered at the time of the retiree's death. Premiums are based on the level of coverage and the retiree's type of retirement/years of service.

5. Retirees/spouses who are eligible for Medicare Parts A & B must enroll for Medicare coverage in order to retain coverage under the County's plans.

6. For dual service retirees, the "greater of" (not combined) years of service is used to determine the premium level.